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Mexico

Dairy Livestock and Poultry

Relief for Mexico's Livestock Industry not Forthcoming

2000

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Report Highlights:
No immediate relief in sight for Mexico's livestock industry as it continues its struggle to overcome the aftermath of the recent droughts suffered throughout northern Mexico for the past few years.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Semi-Annual Report
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SECTION I. SITUATION AND OUTLOOK

Economic Situation and Outlook

The outlook for the Mexican economy continues to brighten after the uncertainty caused by the economic crises in Russia, Asia, and Brazil during the latter part of 1998 and early 1999. The nearly tripling of world oil prices combined with the Government of Mexico's (GOM) conservative fiscal and monetary policies have led to considerable strength in the Mexican economy. Estimated at 3.5 percent, GDP growth for 1999 surpassed earlier expectations, and the Bank of Mexico made believers out of skeptical market analysts by finishing 1999 below its13 percent inflation target for the year, with an estimated 12.3 percent inflation rate.

That optimism is substantiated by the trade data. Mexico's exports increased 16 percent during the first eleven months of 1999 compared to the same period in 1998. Meanwhile, imports increased 12.9 percent and the trade deficit decreased by 36.7 percent during the same period. Higher oil prices and a more robust U.S. economy are the primary reasons for these improvements. The United States remains by far the most important market for Mexico's exports (88 percent in 1998) and the most important source of imports (74 percent).

Looking forward to 2000, the government projects that the current account deficit will be approximately US$15.4 billion, a figure that would constitute a manageable 3.1 percent of GDP, but that's an increase from the 2.8 percent estimated for 1999. The GOM official inflation target for 2000 is 10.0 percent. The yearly average exchange rate is forecast at 10.4 pesos/US$, which would be a modest depreciation from the average rate of 9.6 that prevailed in 1999. The GOM is targeting a fiscal deficit of only 1.0 percent of GDP, a decrease from the 1.25 percent deficit estimated for 1999..

Achieving these projections depends in a large part on strong oil prices. The higher than expected GDP growth rate in 1999 and the strength of the trade account are largely attributable to the rise in oil prices . Moreover, the GOM receives nearly one-third of its revenues from oil. The GOM used US$16.0 per barrel to prepare the 2000 budget, a very reasonable target price given that the agreement to limit supply by the main exporting countries is likely to be extended for a good part of 2000. The price of the Mexican crude closed at US$22.32 in December 1999. (NOTE: Mexican crude oil is a lower grade than North Brent crude.)

These reasons for optimism notwithstanding, it's important to note that the Mexican market tends to overreact to good or bad news and could be adversely affected by external or internal shocks. In particular, the Mexican economy is susceptible to U.S. economic conditions. A significant downturn in the U.S. economy, a large sustained correction in the U.S. equities market, or a pronounced increase in U.S. interest rates, could all trigger a downturn in Mexico. Internal politics also could present a threat to the economy. Mexico will be holding elections in July and the country has a history of economic turmoil in the year of or following elections.

Livestock Situation and Outlook

Cattle and Beef: Mexican cattle inventories for 2000 remain unchanged from our previous forecast due to the current low calf crop level and high slaughter rates, both reflecting the aftermath of the devastating drought of recent years in certain areas of northern Mexico and the increasing demand of beef by consumers now that the Mexican economy is getting back on its feet and the purchasing power of the general population is improving. Domestic beef cattle production remains unchanged from our previous estimate in 1999 and is projected to remain unchanged for 2000 as cattlemen are discouraged by low profitability, considerable imports from the U.S. and large overdue loans. Domestic beef consumption in 2000 is forecast to increase slightly from our previous figure as the general fear among the population that beef prices would increase due to the current compensatory duties placed on beef imports did not occur and prices so far have remained stable. Regardless of the preliminary antidumping duties slapped on several U.S. beef meat exporters, Mexico continues importing high-quality beef cuts to meet demand from the tourist and restaurant sectors and lower-value boxed beef for Mexico's large medium-to-lower income populations and street taco vendors.

Concerning the preliminary determination in the antidumping case against imports of beef and offals from the United States. The investigation continues and a final determination on the antidumping investigation is expected in March 2000 as indicated by the Mexican authorities following the public hearing which was held in early January 2000.

Live Hogs and Pork: The number of swine farms and animals is expected to remain unchanged from our previous forecast for 2000 reflecting current production costs. The competitive prices of imported pork meat products, which is currently offsetting the drop in live slaughter hog imports, continues to accelerate the concentration of the industry towards fewer and larger vertically integrated swine companies. The currently improving consumer purchasing power is creating demand for pork and pork products, especially variety meats. Although pressured by domestic pork producers, main domestic importers such as leading sausage and cold meats companies favor imported U.S. product due to consistency, quality, food safety controls of U.S. pork and attractive prices.

On October 20, 1999, the Secretariat of Commerce and Industrial Development (SECOFI) published in the Mexican *Diario Oficial* (Federal Register) a final finding in the anti-dumping complaint against exporters of U.S. live hogs for slaughter (HTS#0103.92.99). SECOFI found under-pricing of US$0.351 per kilogram, equivalent to approximately 48.13 percent, for live hogs from certain U.S. suppliers, as well as the threat of injury to the Mexican swine industry. The investigation is now terminated, and since October 21, 1999, imports from the U.S. have been subject to countervailing duties of US$0.351 per kilogram plus the current (in quota) import tariff of 8 percent applied to live hog imports from NAFTA countries. (See MX9144)

Sheep & Goats: No change from previous report. See MX9104 dated 8/15/99. Sheep and goat inventories are forecast to remain unchanged from our previous forecast for 2000 due to continued support from the GOM and increased returns. Our consumption forecast for 2000 remains unchanged from our previous forecast due to stable sheep meat prices.

Hides & Skins: To be consistent with bovine slaughter rates, production of hides and skins for 1998, 1999, and 2000 is revised downward as previous years' estimates and forecasts included horsehides and hides of other species in addition to bovine hides.

Tallow: No change from previous report. See MX9104 dated 8/15/99. Tallow production is forecast to remain unchanged from our previous forecast for 2000 due to current slaughter rates, although a large portion of the cattle currently sent to slaughter are very thin because of the recent drought, thus rendering less tallow. Imports of tallow are expected to continue at high levels for 2000 as current import and domestic production levels appear to satisfy current demand from soap manufacturers, and feed companies which use tallow as an feed ingredient.

Final comments from the Pet Food Institute were submitted to SAGAR on Mexico's new proposed rule (NOM-060) which would prohibit the use of imported rendered products in animal feed from countries with BSE or scrapie, or unless treated at high temperature and pressure. (See MX9092). SAGAR is now reviewing all comments submitted from both international and domestic rendering industries and should have a final ruling soon.

SECTION II. STATISTICAL TABLES

PS&D, Meat, Beef and Veal

(1000 Head) (K Metric Tons)

PSD Table						
Country:	**Mexico**					
Commodity:	**Meat, Beef and Veal**					
	1998		**1999**		**2000**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/1998**		**01/1999**		**01/2000**	
Beginning Stocks	0	0	0	0	0	0
Slaughter (Reference)	8000	8000	8100	8100	8100	8100
Production	1800	1800	1900	1900	1900	1900
Intra EC Imports	0	0	0	0	0	0
Other Imports	222	222	190	190	190	190
TOTAL Imports	222	222	190	190	190	190
TOTAL SUPPLY	2022	2022	2090	2090	2090	2090
Intra EC Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	0	0	0	0	0
Human Dom. Consumption	1988	1988	2070	2070	2070	2080
Other Use, Losses	34	34	20	20	20	10
TOTAL Dom. Consumption	2022	2022	2090	2090	2090	2090
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	2022	2022	2090	2090	2090	2090

PS&D, Hides and Skins, Bovine

(1000 Pieces) (K Metric Tons)

PSD Table						
Country:	**Mexico**					
Commodity:	**Hides and Skins, Bovine**					
	1998		**1999**		**2000**	
	Old	New	Old	New	Old	New
Calendar Year Begin	**01/1998**		**01/1999**		**01/2000**	
Beginning Stocks	0	0	0	0	0	0
Production In MT	170	170	170	170	175	175
Production In Pieces	8550	8000	8550	8100	8555	8200
Intra EC Imports	0	0	0	0	0	0
Other Imports	110	110	115	115	115	115
TOTAL Imports	110	110	115	115	115	115
TOTAL SUPPLY	280	280	285	285	290	290
Intra EC Exports	0	0	0	0	0	0
Other Exports	5	5	5	5	5	5
TOTAL Exports	5	5	5	5	5	5
Domestic Consumption	275	275	280	280	285	285
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	280	280	285	285	290	290

Mexico Harmonized Import Tariff Schedule for 2000
Live Animals and Meat Duty Rates

H.S. Tariff Description	NAFTA	Colombia	Venezuela	Costa Rica	Bolivia	Chile	Nicaragua	GATT
Live bovine animals 0102.10.01 Purebred breeding animals	0	0	0	0	0	0	0	3
0102.90.01 Dairy cows	0	0	0	0	0	0	0	3
0102.90.02 Live animals of the bovine species, with pedigree or selected breed certificate other than those falling within subdivision 0102.90.01	0	0	0	0	0	0	0	3
0102.90.03 Live animals of the bovine species, for slaughter purposes when imported by "Industrial de Abastos (IDA) a parastatal slaughterhouse	0	5.4	5.4	6.0	6.0	0	12.5	18
0102.90.99 Others	0	5.4	5.4	6.0	6.0	0	12.0	18
Live swine animals 0103.10.01 Purebred breeding animals	0	0	0	0	0	0	0	3
0103.91.01 Hogs with pedigree or selected breed certificate, weighing less than 50 kgs.	0	3.6	3.6	0	4	0	6	10
0103.91.99 Others	6	7.2	7.2	8	8	0	12	23
0103.92.01 Hogs with pedigree or selected breed certificate, weighing more than 50 kgs.	0	3.6	3.6	4	0	0	8	10
0103.92.02 Live hogs weighing more than 110 kgs. Other than those falling within subdivision 0103.92.01	8	8.6	8.6	10	10	0	16	23
0103.92.99 Others	8	8.6	8.6	10	10	0	16	23
Live sheep and goats 0104.10.01 Sheep with pedigree or selected breed certificate	0	0	0	0	0	0	0	3
0104.10.02 Sheep for slaughter	4	4.3	4.3	0	5	0	8	13
0104.10.99 Others	4	4.3	4.3	0	5	0	8	13

0104.20.01 Goats with pedigree or selected breed certificate	0	0	0	0	0	0	0	3
0104.20.99 Others	0	4.3	4.3	0	5	0	8	13
Meat of bovine 0201.10.01 Carcasses and half-carcasses, fresh or chilled	0	0	0	17	0	0	18	20
0201.20.99 Other cuts with bone-in, fresh or chilled	0	0	0	10	0	0	18	20
0201.30.01 Other cuts boneless, fresh or chilled	0	0	0	10	0	0	18	20
0202.10.01 Carcasses and half-carcasses, frozen	0	0	0	21.2	0	0	22.5	25
0202.20.99 Other cuts with bone-in, frozen	0	0	0	21.2	0	0	22.5	25
0202.30.01 Other cuts boneless, frozen	0	0	0	21.2	0	0	22.5	25
Meat of swine, fresh or chilled 0203.11.01 Carcasses and half-carcasses	8	0	0	10	0	0	0	20
0203.12.01 Hams, shoulders and cuts thereof, with bone-in	8	0	0	10	10	0	0	20
0203.19.99 Others	8	0	0	10	10	0	0	20
0203.21.01 Carcasses and half-carcasses, frozen	8	0	0	10	0	0	0	20
0203.22.01 Hams, shoulders and cuts thereof, with bone-in, frozen	8	0	0	10	10	0	0	20
0203.29.99 Others, frozen	8	0	0	10	10	0	0	20
Meat of sheep, fresh, or chilled 0204.10.01 Lamb carcasses and half-carcasses	4	4.3	4.3	0	5	0	8	10
0204.21.01 Carcasses and half-carcasses of sheep	4	4.3	4.3	0	5	0	8	10
0204.22.99 Other cuts with bone-in	4	4.3	4.3	0	5	0	8	20
0204.23.01 Other cuts, boneless	4	4.3	4.3	0	5	0	8	10
0204.30.01 Carcasses and half-carcasses of lamb, frozen	4	4.3	4.3	0	5	0	8	10
0204.41.01 Carcasses and half-carcasses of sheep, frozen	4	4.3	4.3	0	5	0	8	10
0204.42.99 Other cuts with bone-in	4	4.3	4.3	0	5	0	8	10

0204.43.01 Other cuts, boneless	4	4.3	4.3	0	5	0	8	10
0204.50.01 Meat of goats	4	4.3	4.3	0	5	0	8	10

Source: Secretariat of Trade and Industrial Development (SECOFI), published in the *Diario Oficial* (Federal Register) dated December 31, 1999.

Trade Matrix

Animal Numbers, CATTLE			UNITS: ***Head***		
EXPORTS TO:	1998	1999*	**IMPORTS FROM:**	1998	1999*
U.S.	714,347	507,600	U.S.	193,803	98,734
OTHER			OTHER		
			CANADA	5,507	3,489
			AUSTRALIA	5,317	3,106
TOTAL OF OTHER	0		TOTAL OF OTHER	10,824	6,595
OTHERS NOT LISTED	978	374	OTHERS NOT LISTED	2,132	9,324
GRAND TOTAL	715,325	507,974	GRAND TOTAL	206,759	114,653

Meat, Beef & Veal			UNITS: ***Metric Tons***		
EXPORTS TO:	1998	1999*	**IMPORTS FROM:**	1998	1999*
U.S.	525	737	U.S.	211,570	164,425
OTHER			OTHER		
			CANADA	4,318	12,852
TOTAL OF OTHER	0	0	TOTAL OF OTHER	4,318	12,852
OTHERS NOT LISTED	69	10	OTHERS NOT LISTED	5,622	7,345

GRAND TOTAL	594	747	GRAND TOTAL	221,510	184,622

Animal Numbers, SWINE			UNITS: ***Head***		
EXPORTS TO:	1998	1999*	**IMPORTS FROM:**	1998	1999*
U.S.	0	0	U.S.	239,268	179,309
OTHER			OTHER		
			CANADA	5,666	4,107
TOTAL OF OTHER	0	0	TOTAL OF OTHER	5,666	4,107
OTHERS NOT LISTED	0	0	OTHERS NOT LISTED	618	0
GRAND TOTAL	0	0	GRAND TOTAL	245,552	183,625

Meat, SWINE			UNITS: ***Metric Tons***		
EXPORTS TO:	1998	1999*	**IMPORTS FROM:**	1998	1999*
U.S.	13,753	13,367	U.S.	82,088	66,583
OTHER			OTHER		
JAPAN	0	3,721	CANADA	8,646	10,546
CUBA	604	0			
TOTAL OF OTHER	604	3,721	TOTAL OF OTHER	8,646	10,546
OTHERS NOT LISTED	7,115	65	OTHERS NOT LISTED	357	1,303
GRAND TOTAL	21,472	17,153	GRAND TOTAL	91,091	78,432

Animal Numbers, SHEEP			UNITS: ***Head***		
EXPORTS TO:	1998	1999*	**IMPORTS FROM:**	1998	1999*
U.S.	2,966	2,993	U.S.	405,093	286,829
OTHER			OTHER		
			CANADA	264	214
			AUSTRALIA	83,579	51,822
TOTAL OF OTHER	0	0	TOTAL OF OTHER	83,843	52,036
OTHERS NOT LISTED	0	0	OTHERS NOT LISTED	0	214

GRAND TOTAL	2,966	2,993	GRAND TOTAL	488,936	338,865

Meat, LAMB, MUTTON & GOAT			UNITS: ***Metric Tons***		
EXPORTS TO:	1998	1999*	**IMPORTS FROM:**	1998	1999*
U.S.	0	0	U.S.	2,838	2,158
OTHER			OTHER		
			AUSTRALIA	16,699	14,366
TOTAL OF OTHER	0	0	TOTAL OF OTHER	16,699	14,366
OTHERS NOT LISTED	0	0	OTHERS NOT LISTED	7,705	8,279
GRAND TOTAL	0	0	GRAND TOTAL	27,242	24,803

By-Products, Tallow & Grease			UNITS: ***Metric Tons***		
EXPORTS TO:			**IMPORTS FROM:**		
U.S.	0	0	U.S.	300,835	208,451
OTHER			OTHER		
CUBA	389	155	CANADA	13,989	4,996
TOTAL OF OTHER	389	155	TOTAL OF OTHER	13,989	4,996
OTHERS NOT LISTED	0	1	OTHERS NOT LISTED	20,340	2
GRAND TOTAL	429	156	GRAND TOTAL	314,845	213,449

Hides & Skins, Bovine			UNITS: ***Metric Tons***		
EXPORTS TO:	1998	1999*	**IMPORTS FROM:**	1998	1999*
U.S.	483	176	U.S.	92,168	66,283
OTHER			OTHER		
			GUATEMALA	4,779	4,284
			HONDURAS	2,581	1,870
			URUGUAY	1,685	647
TOTAL OF OTHER	0	0	TOTAL OF OTHER	9,206	6,801

OTHERS NOT LISTED	30	0	OTHERS NOT LISTED	5,220	4,062
GRAND TOTAL	513	176	GRAND TOTAL	106,433	77,146

Source: Global Trade Information Services, Inc. "World Trade Atlas" Mexico Edition
* As of September 1999

IMPORTS

H.S. Tariff Description	1997		1998		1999*	
	Value	Volume	Value	Volume	Value	Volume
Live bovine animals. 0101.11.01 Purebred breeding animals.	1,083,035	613	39,907,522	39,155	22,914,000	20,372
0102.90.01 Cows for dairy purposes.	21,643,051	19,029	20,184,354	17,169	12,470,000	11,120
0102.90.02 Other. With pedigree or high registration certificate, except that under subheading 0102.90.01.	2,837,815	2,837	294,045	1,018	1,957,000	2,998
0102.90.03 Other. Bovine animals for supply, when imported by Wholesale Industry.	0	0	0	0	0	0
0102.90.99 Other.	118,092,354	242,771	86,505,818	188,572	46,992,000	99,775

Live swine 0103.10.01 Purebred breeding animals	7,435,277	18,040	4,152,355	10,490	2,010,000	7,467
0103.91.01 Weighing less than 50 kg each. With pedigree or high registration certificate.	0	0	0	0	0	0
0103.91.99 Weighing less than 50 kg each. Other.	0	0	25,789	1,513	82,000	2,233
0103.92.01 Weighing 50 kg or more each. With pedigree or high registration certificate.	148,975	720	0	0	0	0
0103.92.02 Weighing more than 110 kg, except that under subheading 0103.92.01.	0	0	29,239	322	0	0
0103.92.99 Other.	685,467	8,185	11,949,737	233,227	13,681,000	173,925
Live sheep and goats 0104.10.01 Sheep with pedigree or high registration certificate.	11,242,253	169,442	5,577,780	83,164	3,419,000	52,153
0104.10.02 Sheep for slaughter.	5,461,923	295,346	6,592,363	310,194	8,246,000	234,694
0104.10.99 Other.	97,461	1,169	21,555	461	69,000	1,215
0104.20.01 Goats, with pedigree or high registration certificate	153,592	1,014	35,709	475	185,000	1,312
0104.20.99 Other.	1,279,863	82,799	1,911,120	94,642	1,352,000	49,941
Meat of bovine animals, fresh or chilled 0201.10.01 Carcasses and half-carcasses	9,509,144	5,189,715	13,057,151	7,429,822	8,368,000	4,753,617
0201.20.99 Other cuts with bone in	33,558,556	17,478,233	39,279,223	20,997,190	27,820,000	14,010,446

0201.30.01 Boneless.	265,432,790	104,648,315	392,433,457	166,318,180	347,708,000	146,121,160
0202.10.01 Carcasses and half-carcasses	47,984	29,281	2,239	1,021	3,000	718
0202.20.99 Other cuts with bone in, frozen	7,063,321	3,106,798	7,899,371	3,911,854	5,316,000	2,621,810
0202.30.01 Boneless frozen	32,560,475	13,695,806	44,175,772	22,852,331	29,287,000	17,113,795
Meat of swine, fresh, chilled, or frozen 0203.11.01 Carcasses and half-carcasses	11,540,363	6,873,394	12,332,349	10,937,682	11,851,000	11,641,419
0203.12.01 Hams, shoulders and cuts thereof, with bone in.	15,614,686	16,236,844	30,404,641	37,584,305	23,873,000	30,716,987
0203.19.99 Other.	10,046,111	8,364,780	14,241,856	13,771,103	10,723,000	9,329,274
0203.21.01 Carcasses and half-carcasses frozen	364,817	342,728	85,403	86,386	405,000	1,083,227
0203.22.01 Hams, shoulders and cuts thereof, with bone in. Frozen	3,139,251	2,648,962	6,866,524	7,929,954	3,940,000	4,619,028
0203.29.99 frozen Other.	13,514,028	13,400,677	14,882,779	20,781,688	15,318,000	21,041,991
Meat of sheep or goats, fresh, chilled or frozen 0204.10.01 Carcasses and half-carcasses of lamb, fresh or chilled.	3,563	15,363	10,269	23,936	8,000	16,314
0204.21.01 Carcasses and half-carcasses	132,449	73,653	32,005	23,402	20,542	16,065
0204.22.99 Other cuts with bone in.	409,091	140,747	385,790	157,961	169,000	96,022
0204.23.01 Boneless.	37,425	16,699	6,826	940	13,000	683

0204.30.01 Carcasses and half-carcasses of lamb, frozen.	1,397,708	955,930	1,304,444	1,170,278	966,000	697,406
0204.41.01 Carcasses and half-carcasses	10,393,852	8,338,933	9,983,312	9,491,048	6,447,000	7,229,050
0204.42.99 Other cuts with bone in.	17,002,061	11,930,592	18,167,818	15,987,936	16,149,000	16,408,715
0204.43.01 Boneless.	116,081	74,845	150,818	89,378	111,000	91,379
0204.50.01 Meat of goats.	103,430	60,037	429,360	297,899	321,000	247,399
0511.1001 Semen, bovine	7,119,716	9,915	7,504,756	9,444	5,830,593	4,498
1501.00.01 Lard, porcine	19,137,337	26,722,360	16,971,688	27,717,630	10,420,760	20,945,661
1502.00.01 Beef tallow	114,673,309	225,043,756	150,939,549	314,844,796	83,153,780	213,449,017
4101.10.01 Hides and skins under or equal to 8 kg. dried, 12 kg. salted dried and 14 kg. for wets and salted.	2,961,356	3,772,357	2,476,151	1,988,612	782,578	938,566
4101.21.01 Hides and skins whole	127,455,207	88,249,733	123,767,159	98,817,658	88,566,460	72,664,747
4101.30.99 Hides and skins, others	2,595,496	3,796,915	3,262,094	5,625,471	1,449,665	2,161,081

Source: Global Trade Informations Services, Inc. "World Trade Atlas, Mexico Edition
*As of September 1999

EXPORTS

H.S. Tariff Description	1997		1998		1999*	
	Value	Volume	Value	Volume	Value	Volume
Live bovine animals 0102.10 Purebred breeding animals.	367,201	1,343	221,477	381	747,000	597
0102.90 Other.	197,930,891	665,317	209,661,617	714,944	149,901,000	507,377
Live Swine animals 0103.10 Purebred breeding animals	169,877	419	0	0	0	0
Live sheep and goats 0104.10 Sheep	131,078	2,913	158,879	2,966	106,000	2,993
0104.20 Goats	0	0	0	0	0	0
Meat of bovine animals, fresh or chilled 0201.10 Carcasses and half-carcasses	0	0	0	0	0	0
0201.20 Other cuts with bone in	0	0	243,495	44,162	446,000	88,834
0201.30 Boneless	1,688,737	282,306	2,829,469	429,568	3,605,000	6,224,081
Meat of bovine animals, frozen 0202.10 Carcasses and half-carcasses	0	0	0	0	0	0
0202.20 Other cuts with bone in	4,793	1,835	47,376	4,067	0	0
0202.30 Boneless	48,670	19,624	491,604	116,170	129,000	35,987
Meat of swine, fresh, chilled, or frozen 0203.11 Carcasses and half-carcasses	1,737	728	0	0	0	0

0203.12 Hams, shoulders and cuts thereof, with	0	0	182,447	87,142	318,000	79,449
0203.19 Other	1,932,545	380,301	6,759,212	1,921,878	5,755,000	1,554,450
0203.21 Carcasses and half-carcasses	0	0	0	0	0	0
0203.22 Hams, shoulders and cuts thereof, with bone in	728,488	216,280	6,621,355	1,879,643	6,681,000	2,117,505
0203.29 Other	85,431,473	21,813,685	58,579,326	17,583,442	45,972,000	13,401,753
Meat of sheep or goats, fresh, chilled or frozen 0204.10 Carcasses and half-carcasses of lamb, fresh	895	7,300	0	0	0	0
0204.21 Carcasses and half-carcasses	0	0	0	0	0	0
0204.22 Other cuts with bone in	0	0	0	0	0	0
0204.23 Boneless	0	0	0	0	0	0
0204.30 Carcasses and half-carcasses of lamb	0	0	0	0	0	0
0204.41 Carcasses and half-carcasses	0	0	0	0	0	0
0204.42 Other cuts with bone in	74,014	19,642	552	15	0	0
0204.43 Boneless	0	0	0	0	0	0
0204.50 Meat of goats	0	0	0	0	0	0
0511.10 Semen, bovine	0	0	161,436	2,792	10,358	3

1501.00 Lard, porcine	46,170	47,181	86,691	91,403	145,507	188,500
1502.00 Beef tallow	333,996	429,301	251,614	334,705	106,701	156,390
4101.10 Hides and skins with less than 8 kg. dried, 10 kg. dry salted and 14 kg. wet salted	0	0	176,265	29,658	2,159	389
4101.21 Hides and skins whole	1,310,152	648,418	188,418	145,911	184,675	135,219
4101.30 Hides and skins, others	182,906	86,615	845,575	337,892	100,535	40,580

Source: Global Trade Information Services, Inc. "World Trade Atlas, Mexico Edition
*As of September 1999.

SECTION III. NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

CATTLE

Production

The cattle production estimate for 1999 remains unchanged from our previous estimate since current information does not warrant any change to our estimate at this time. The high cost of money, overdue loans, and the conditions caused by the recent drought in northern Mexico are the main factors causing this downward trend. For much the same reason as above, the production forecast for 2000 is unchanged from our previous estimate.

Cattle inventories are forecast to remain unchanged from our previous forecast for 2000 due to current slaughter rates reflecting the recent drought in northern Mexican states. A reduced calf crop in 1999 caused by lower fertility levels will contribute to maintain ending inventories for 2000 unchanged from our previous estimate. Feedlot placements remain low because of the current drought in certain areas of northern and central Mexico and rising feedstuff prices. Overdue loans, tight credits, low profitability, and strong imports discourage capitalization and modernization of the cattle and beef sectors.

Even though slaughter rates are higher, Federal Inspected Plants (TIF) production capacity is still underutilized. Currently only 40 percent of their capacity is being used. According to industry contacts, no more than 25 percent of beef and pork is processed in TIF plants in Mexico. This is a rough estimate taking into account that there are no detailed statistics on the operation of slaughter houses in Mexico, except for TIF plants and some non-TIF plants in the metropolitan Mexico City area. In addition, slaughter rates in non-TIF municipal slaughtering plants throughout Mexico are commonly underestimated. In addition to this, the *in-situ* slaughter for which there is no official data also represents a significant portion of total slaughter in Mexico.

The cattle slaughterhouse infrastructure in Mexico can be classified in three types of installations:

a) Municipal slaughterhouses, which are administarted by the municipal authorities and supervised by Mexico's Health Secretariat, and in the period 1995-1998 have slaughtered an average of 3.25 million head.

b) Federally Inspected Slaughterhouses (TIF), administrated by individuals, private companies or organizations and supervised by the Mexican Secretariat of Agriculture, Livestock and Rural Development (SAGAR). These slaughterhouses process around 1.3 million head of cattle per year.

c) Non-authorized slaughterhouses, are plants which supply beef meat and meat of other species to the rural communities throughout Mexico and which operate on certain days of the week. Clandestine slaughterhouses which operate under unsanitary conditions in the surrounding areas of cities throughout Mexico and are not supervised by any Mexican authorities. These slaughterhouses obviously do not keep records, but according to some sources in the trade the processing capacity of these operations may be processing be between 2.5 and 4.0 million head per year.

Consumption

As a result of adequate beef supplies and competitive retail prices, domestic consumption is anticipated to increase in 2000. Most of this increase will be in regional markets in northern and central Mexico where dry conditions forced ranchers to send animals to slaughter. In Mexico City, trade sources report that per-capita beef consumption, which is currently about 15 kilograms per year, is increasing slightly due to improving consumer purchasing power and substitution of variety meats and vegetables for all type of meats. Losses and other use of beef meat is revised downward from our previous forecast as trade sources indicate that better care is being taken at slaughtering facilities to reduce losses.

Trade

Live feeder cattle imports are presently not attractive because of the recent drought and the continued tight credit situation. For this reason, imports in 2000 are forecast to remain unchanged from our previous forecasst.
The United States is the leading exporter of beef to Mexico, with approximately 95.5 percent of the market. In 1998, Mexico imported more than 222,000 metric tons of U.S. beef, ranging from the finer cuts to beef brains, tripe and tongue, worth a total of some 497 million dollars. High quality U.S. beef cuts continue to be competitive with the upper income classes and the tourist sector, and imports of round and chuck cuts by domestic supermarkets continue to increase. Imports of U.S. beef in the year 2000 are anticipated to remain unchanged from our previous estimate due to the pending final determination by the Mexican authorities on the antidumping claim.

As a result of the recent drought, expected slaughter cattle exports to the United States in 2000 remain unchanged from our previous estimate. As a result of exports and slaughter rates, ending inventories for 1998 remain unchanged from the previous figure.

Policy

The antidumping investigation against imports of cattle, beef and offals from the United States continues. After a public hearing held in January 2000, the Mexican authorities involved in the case indicated they expect to reach a final determination in March 2000.

Marketing

No change from previous report. See MX9104 dated 8/15/99.

SWINE AND PORK MEAT

Production

Pork production in 2000 is forecast to remain unchanged from our previous estimate, reflecting current stable demand from consumers.

Consumption, Trade, and Marketing

No change from previous report. See MX9104 dated 8/15/99.

Policy

On October 20, 1999, the Secretariat of Commerce and Industrial Development (SECOFI) published in the Mexican *Diario Oficial* (Federal Register) a final finding in the anti-dumping complaint against exporters of U.S. live hogs for slaughter (HTS#0103.92.99). SECOFI found under-pricing of US$0.351 per kilogram, equivalent to approximately 48.13 percent, for live hogs from certain U.S. suppliers, as well as the threat of injury to the Mexican swine industry. The investigation is now terminated, and since October 21, 1999, imports from the U.S. have been subject to countervailing duties of US$0.351 per kilogram plus the current (in quota) import tariff of 8 percent applied to live hog imports from NAFTA countries.

Continued pressure on the GOM from domestic swine producers to slow down pork imports and mechanically deboned poultry meat (MDM) and turkey parts are expected to continue throughout the first semester of 2000. Mexican swine producers continue to complain that rising MDM and turkey parts imports for the manufacturing of turkey ham displace utilization of domestic pork used to manufacture "real" ham.

BOVINE HIDES AND SKINS

Production

To be consistent with bovine slaughter rates, production of hides and skins for 1998, 1999, and 2000 is revised downward as previous years' estimates and forecasts included horsehides as well as bovine hides.

Consumption, Trade, Policy and Marketing

No change from previous report. See MX9104 dated 8/15/99.